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PER C. Jones OFFICE NF
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Critique of Ambassador Russell's Recommendations re Conclusion of the Volta River Project Agreements and Regarding the Nature of the Commitment

Summary:

In response to our request for the Embassy's recommendations regarding signing the Volta Agreements on October 5, as desired by the Government of Ghana, the Embassy has reversed its previous position that, on balance, we should proceed. Previously, the Embassy had recommended that conclusion of the project would greatly assist us in maintaining our influence in Ghana, and at the same time would strengthen the conservative forces in the country. It had advised, however, that the signing be delayed until the end of Nkrumah's Bloc trip, lest he embarrass us by making strong anti-Western statements after the agreements had been concluded.

The Embassy now recommends that the signing be deferred until after October 5. Its reasoning is that to sign on that date not only would constitute an endorsement of Nkrumah by in effect indicating that we still regard him as a truly non-aligned neutral, but would also weaken those conservative forces in the country which plan a showdown with Nkrumah when Parliament convenes in early October on his pro-Communist statements and activities as well as on his domestic policies.

The Department has now decided that the signing should be deferred pending further consideration of whether we should sign at all. The felt need for a reappraisal is due not only to the factors noted by the Embassy, but also to serious concern over the ability of the Ghanaian Government to service its inflated financial obligations arising out of the Bloc trip. For example, the Ghanaian Government has decided to go ahead with the Soviet Bui Dam project, and the World Bank is concerned over the ability of the Ghanaian Government to handle that project and the Volta project simultaneously.

The United States Government may have a moral obligation to go through with the Volta Project, depending upon what interpretation is placed upon President Kennedy's letter of June 29, 1961, to President Nkrumah (see 3. below). The Office of the Legal Adviser has been requested to prepare an opinion.....

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an opinion with respect to our legal commitment regarding the Volta River Project.

1. Background

In a December 1960 Country Team report on the current situation in Ghana (Embassy despatch 399, December 14, 1960), the Embassy in Accra observed that a trend unfavorable to U.S. interests and showing an identity with Bloc policies and aims had gathered momentum after Ghana became a republic on July 1, 1960. While domestically the country was hastening toward state socialism closely modeled on the Soviet pattern, internationally Ghana's policies showed an increasing harmony with those of the Bloc, e.g., 1) condemning NATO; 2) supporting Soviet position on disarmament; 3) attacks on UN; 4) identification of the Bloc as peace-loving, as contrasted to the West; 5) support of Chicoms for UN seat; 6) attacks on the West, especially the United States on the Congo; and 7) tacit approval of the Castro regime in Cuba.

The Embassy suggested that when it became clear to Nkrumah at the time of the Positive Action Conference in Accra, April 7-10, 1960, that his hope of obtaining recognition as the leader of Pan-Africanism was futile, since other African leaders displayed an unwillingness to accept his unquestioned leadership and arbitrary judgment on what was best for Africa's future, his great egocentricity impelled him to choose, of several alternatives, that of cooperation with the Bloc as best designed to achieve his goal of leadership.

The Embassy then noted: "The belief has held in the past that the prospects of Western financing for the Volta River Project would be sufficient bait to keep Ghana favorably disposed towards the West. This may no longer be the case."

Until August 1960, no credits from the Bloc had been accepted by Ghana. On August 4, 1960, an agreement was signed in Moscow establishing a line of credit for Ghana in the amount of £G 14.7 million (one Ghana pound is $2.80), to cover the cost of surveys, engineering services, technical assistance, materials and equipment supplied by the Soviet Union in connection with projects to be agreed upon in subsequent negotiations. On August 5 a second agreement was signed covering the purchase of four Ilyushin-18 aircraft for Ghana Airways, and involving a credit of about £G 2.6 million repayable over 8 years at 2½ per cent. In November, 1960, trade and technical assistance agreements were signed with Czechoslovakia. In December 1960, a trade and technical assistance agreement was signed with Hungary, involving a small credit. Embassy Despatch 422, December 22, 1960).

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During the first half of 1961 new Bloc credits were extended to Ghana

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to bring the total to $88 million. In addition, a Bloc shipment of arms was received, reportedly to be supplied to dissident elements in other African countries.

In the course of his July-September 1961 Bloc trip, Nkrumah arranged for a total of approximately $110 million in loans from the Soviet Union and other Bloc countries for technical assistance. This figure includes ₤ 7 million or approximately $20 million in loans for technical assistance from Communist China, in return for which Ghana has agreed to furnish the Chicoms with agricultural products and industrial diamonds.

In mid-September 1961, the first step was made to implement the new loan agreement with the Soviet Union, when the decision was taken to begin preliminary engineering work for the construction of the Bui hydroelectric power dam on the Upper Volta River. The project, to be carried out by Soviet engineers, is estimated to cost $44.8 million.

In Despatch 402, December 19, 1960, the Embassy in Accra stated that "the Bloc clearly regards Ghana as a major target area for economic penetration." An economic intelligence report on Sino-Soviet Bloc activities in underdeveloped areas during the first half of 1961 states that the Soviet Bloc appears to continue to regard Ghana as a primary target in Africa and to be content to work with the present Government of Ghana. It attributes the initiative in seeking Bloc aid to Ghana itself, which "seeks maximum external assistance both to speed internal economic development and to extend its influence elsewhere in Africa....the Bloc is presently Ghana's natural international political ally, however, insofar, as it shares Ghana's strident anti-colonial and anti-imperialist attitude in Africa. The sharing of these African policies probably represents a much greater opportunity for the extension of Bloc influence in Ghana than does Bloc economic aid." The report adds that "Bloc penetration of Ghanaian government organizations continued with the emphasis on the Trade Union Congress, the government-financed press, the Ghana Young Pioneers, the cooperative movement, and state-owned banks. These activities have been aided by the influence gained by anti-Western leftist Ghanaians at the government level immediately below President Nkrumah. President Nkrumah himself appears to be preoccupied with expanding his influence in the rest of Africa and to be increasingly ready to take any measure that would serve this end."

In this connection, the TUC, headed by leftist John Tettagah, has an East German advisor. In Embassy telegram 465, September 23, 1961, it was reported that Tawia Adamafio, the most pro-Communist of Nkrumah's advisors, is currently the next most influential official to the President. The government-inspired press has launched many vitriolic attacks on the West, most recently in attributing Hammarskjold's death to a British plot. The Ghanaian army's British Chief-of-Staff, General Alexander, has been dismissed,

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and Sir Robert Jackson, Nkrumah's British fiscal and Volta program advisor, intends to sever his connections with the Government of Ghana in November.

2. The Embassy's Recommendations

In its telegram 1006, February 22, 1961, the Embassy advised that the Volta Project be implemented because: 1) it may prove to be the only substantial Western foothold in the Ghana/Guinea/Mali camp; and 2) to back down now could create doubts in underdeveloped countries as to the sincerity and political disinterest of our aid effort.

On May 3, 1961, the Embassy was requested by the Department to provide an immediate assessment of the advisability of proceeding with the Volta River Project, in view of press reports that Nkrumah had been assuming increasingly dictatorial powers and reducing the authority and influence of Gbedemah. The assessment was requested to make special reference to Nkrumah's intentions to cooperate with the U.S. and with Valco once the project was finally agreed upon.

In its reply (Accra's telegram 1288, May 4), the Embassy referred to the drift noted under "Background", above, and observed that the Government-controlled Ghanaian press daily carries articles proclaiming state socialism as Ghana's goal, that Ghana and the U.S.S.R. took closely aligned positions on the Congo issue, that Ghana's record of voting in the United Nations has tended to be in accord with the Soviets, and thus uncertainties as to Nkrumah's sincere cooperation with the West on Volta continue to exist. It added that Ghana had been moving toward an authoritarian state, that under the Preventive Detention Act, between 300 and 400 members of the opposition were in prison, and that the power of Gbedemah and of members of Parliament sharing his views had been progressively weakened. In spite of these drawbacks, the Embassy cited the following arguments for proceeding with the Volta Project: 1) the United States and the World Bank have been identified in the public mind with the Volta Project for at least 18 months and a decision to withdraw would set in motion an anti-West and pro-Soviet reaction which would almost entirely eliminate the U.S. presence in Ghana and have repercussions on relations with other Western countries; 2) withdrawal would create the impression throughout Africa even among countries which distrust Nkrumah that the U.S. (and the West generally) is unreliable and capricious in programs to develop Africa. Whatever his real intentions, Nkrumah proclaims neutralism, and withdrawal would be interpreted as evidence that the West will not tolerate neutralism in Africa; 3) if the West invests 230 million dollars in Volta the cost to the Soviet bloc of buying Ghana's loyalty might prove prohibitive. In the absence of Volta Ghana would move rapidly toward Soviet bloc; 4) while Nkrumah still incontestably in control, there are clear signs of discontent both within and outside the party which could develop into effective and conservative opposition. A continued

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United States and Western presence in Ghana is essential if this element is to succeed. Increase in the Western presence during construction of Volta would be helpful; 5) overwhelming dependence on the Ghanaian economy on export markets in the West should enable the West to exert considerable pressure to prevent Ghanaian default on Volta obligations. Nkrumah is aware that the East is unlikely to be willing or able to fully replace the West as a market for such products as cocoa, timber, aluminum and manganese.

The Embassy recommended that on balance the United States should go ahead with the Volta Project, but that the World Bank, the United States, and the United Kingdom should have a frank airing of views with Nkrumah prior to the signature of the agreements, and that it should be implied to Nkrumah that an atmosphere of mutual trust and cooperation among the Government of Ghana, the World Bank, the United States and the United Kingdom Governments and VALCO would be destroyed if Ghana should abandon or appear to abandon its policy of non-alignment. The Embassy advised that it would be preferable to maintain an atmosphere of satisfactory progress, but not conclude the agreements until the end of Nkrumah's Bloc trip, so as to let us know how far Nkrumah would go with the Soviets and avoid the embarrassment of having him make strong anti-Western statements immediately after concluding the Volta Agreements.

In an unnumbered telegram of August 15, 1961, the Embassy in Accra advised that although Nkrumah had made statements on East-West issues either favorable to Moscow's position or susceptible to that interpretation, and while Nkrumah's standing within Ghana was at its lowest point because of adverse reaction to the budget measures, nevertheless, since there is deep-seated goodwill in Ghana generally toward the West and especially toward the United States, the U.S. Government should sign the Volta Agreements in a manner calculated to publicize U.S. aid to the Ghanaian people while at the same time avoid doing anything to enhance Nkrumah's personal prestige. The Embassy added, however, that the U.S. Government ought to retain the ability to end assistance for the Volta Project should the Ghanaian Government veer so far to the left as to render it no longer a general neutral in world opinion.

In response to a request from the Department for an Embassy recommendation as to whether or not the signing of the Volta Project Agreements should take place on October 5, 1961, the date indicated by the Ghanaian Government for the signing, the Embassy has changed its previous position. In its telegram 462, September 21, the Embassy suggested that the signing should be quietly postponed with the implication that progress is still being made. It pointed out that by signing on October 5, the United States and United Kingdom Governments would in effect be indicating that they

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were satisfied that Nkrumah remained a neutral, and thus would help Nkrumah to undercut the growing domestic opposition which is critical of his pro-Communist statements and activities as well as of his budgetary measures. Further, they would be, in effect, endorsing Nkrumah at a time which would coincide almost exactly with the date Parliament will open, when the critics plan to have a showdown. The Embassy cautioned that while Nkrumah may denounce the two Governments and the World Bank over delay, and may cite the beginning of work by Soviet engineers on the Bui Dam, this would be preferable to the injury that would be done to supporters of the Free World in Ghana and elsewehre in West African and possibly to the AID program with the United States public, should the signing take place on October 5.

3. Extent of United States Commitment Regarding the Volta River Project

By a letter of July 29, 1961, President Kennedy informed President Nkrumah, in reply to the latter's letter regarding the appointment of a Chief Executive to the Volta River Project, that:

> "I am delighted to be able to advise you that all major issues involved in negotiations for the United States Government's share of the financing of the dam and smelter have now been resolved. The United States Government representatives are now working with your representatives here to develop the necessary documentation for signature and final closing.
>
> 'It is a source of satisfaction to me that we have been able to join with your Government in helping to make this great project possible.' "

The Office of the Legal Advisor has been requested to prepare an opinion on the extent of the United States Government's legal commitment to finance the Volta River Project.

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